

The Tenants' Property Tax Rebate Program

Introduction

The Tenants' Property Tax Rebate Program was substantially amended and revised by P.L. 1998, c. 15, which was adopted on May 4, 1998, and became effective on June 1, 1999. Under the 1998 amendments tenants are eligible for a rebate only when the assessment on a qualified rental property is reduced by a municipality-wide revaluation, and then only for the first year of the revaluation; or when the tax rate in the current year declines compared to the tax rate in the base year; or if the municipality or board of education received property tax relief through the Regional Efficiency Aid Program (REAP) (N.J.S.A. 54:4-8.76 et seq.). REAP reduces taxpayers' property tax bills as a result of eligible joint services activities by local government units serving the municipality.

Eligible Properties

Only residential rental properties in which five or more dwelling units are rented or offered for rent are eligible for the Tenants' Property Tax Rebate. The law refers to eligible properties as "qualified real rental properties." In addition, other exclusions are:

- Hotels, motels, and other guesthouses serving transient or seasonal guests;
- Buildings or structures which are subject to an abatement agreement under which reduced or no property taxes are paid on the improvement pursuant to statute, notwithstanding that payments in lieu of taxes are paid in accordance with the agreement;
- Buildings or structures located in municipalities in which a rent control ordinance that does not provide for an automatic increase in the amount of rent permitted to be charged by a property owner upon an increase in the amount of property tax levied upon the property is in effect for the base year and the current year;
- Dwelling units in a residential cooperative or mutual housing corporation;
- Dwelling units in a condominium, other than those occupied by qualified tenants under the "Tenant Protection Act of 1992." P.L. 1991, c. 509 (N.J.S.A. 2A:18-61.40 et seq.);
- Dwelling units in a continuing care retirement community;

- Dwelling units within residential health care facilities, assisted living facilities, facilities with a Class C license pursuant to the "Rooming and Boarding House Act of 1979" [P.L. 1979, c. 496 (N.J.S.A. 55:13B-1 et al)], or similar facilities for which occupancy is conditioned on receipt of medical, nursing or personal care services for the residents and the cost thereof is included in the rent.

Owners of rental properties with less than five dwelling units for rent are excluded from the Tenants' Property Tax Rebate Program.

A Tenants' Property Tax Rebate is due to tenants under the following circumstances:

- The property tax rate in the current year has dropped compared to the "base year" (established by P.L. 1998, c. 15, as 1998). If any of the following events occur, then "base year" shall mean:
 - Any calendar year after 1998 in which property taxes levied for eligible property exceed the property taxes levied for 1998 for that property;
 - The first calendar year after 1998 in which property taxes levied for eligible property is first offered for rent or lease;
 - The first full calendar year after 1998 in which qualified real rental property is no longer subject to a tax exemption or tax abatement program;
 - A calendar year after 1998 in which the property tax calculation reflects an assessment reduction from the prior base year assessment; or
 - A calendar year after 1998 in which the property taxes paid in the base year and the property taxes paid in the current year do not reflect consistent budgetary and tax lien components because sewer, solid waste or similar services provided through a taxing entity budget and reflected in the tax rate are changed to a separately billed user fee.
- The first year of municipality wide revaluation which resulted in a reduced assessment, and thus a lower property tax bill, and then only for the first year;
- If the municipality qualifies for a REAP property tax credit.

Tenants in a federal Section 8 or similar subsidized rental program are to receive the full amount of any tenant's property tax rebate unless the sponsoring agency has directed the landlord to divide it between the tenant and the agency in proportion to the rent paid, and has furnished the procedures to be followed. Landlords of rental properties with five or more dwelling units for rent now do not have to rebate any property tax savings they gain from a successful tax assessment appeal.

Role of the Municipal Tax Collector

Under the Tenants' Property Tax Rebate Program, it is the responsibility of every municipal tax collector to:

- Ensure that records in the MOD IV system reflect all changes required by the adjudication of tax appeals;
- Identify eligible Properties for the MOD IV or related local system from prior records, Owner Rebate Certificates returned, and other sources;
- Within 30 days after mailing tax bills, send a Tax Reduction Notice to every owner who receives a property tax reduction or a REAP property tax credit, with a copy to the municipal rent levelling board, if there is one. If there is no municipal rent levelling board, the tax collector keeps a copy for one year or until the next rebate notices are issued, whichever is sooner;
- Provide a revised Tax Reduction Notice to any owner whose taxes have been reduced administratively or by appeal judgment since the original notices were mailed.

The "Amount to Be Rebated" shown on the front of the Tax Reduction Notice shall be apportioned among tenants according to the rent they pay and the number of months they were tenants during the calendar year for which the Notice was issued. Within 30 days of receiving a Tax Reduction Notice from the tax collector, a landlord shall:

- Calculate the amount of rebate due each tenant;
- Complete the Rent Rebate Certification and return it to the municipality;
- Post the Rent Rebate Certification prominently where tenants can see it;
- Begin making monthly rebates, nominally on rent payment dates:
 - For Notices received by November 1, the first rebate shall be cumulative from January 1 to 30 days after receipt of the Notice, and the last by December 31.
 - For Notices received after November 1, the first (not cumulative) rebate shall be within 30 days after receipt of the Notice, then monthly thereafter, and the last by June 30.

How to Calculate Rebate Amounts

The following calculation method for figuring each tenant's rebate may be used or adapted locally, as long as the statutory requirements for rebate distribution are met. For large apartment complexes, where the numbers get unwieldy, similar rents can be grouped into classes for computation, and the end result divided by the number of rental units in each class. It is generally practical to work with monthly rents, divide the gross rebate amount (R) by 12 (months), and the calculation from that basis.

1. List all rents or rent classes and total them:

$$a + b + \dots n = z$$

where a through n represent each individual rent or class of rental, and z equals the sum total of rents.

2. Divide each rent or rent classes by the sum total z :

$$(a/z = a\%) + (b/z = b\%) + \dots (n/z = n\%) = 100\%$$

to determine the percentage of each rent (or rent class) of the total rent amount.

3. Multiply the total rebate amount (R) by each percentage, and record it:

$$R \text{ times } a\% = ra, R \text{ times } b\% = rb, \dots R \text{ times } n\% = rn$$

where ra , rb , rn , etc. are the amounts due each tenant, rental unit, or rent class.

The total of all calculations should equal the gross rebate amount. If rent classes were used, then divide the amount due each class by the number of tenants or rental units in each class.

Penalties for Failure to Comply

A landlord who fails to provide a rebate to his or her tenants when it is due, or who knowingly and willfully fails to provide or post any notice, certification, or information required by the Tenant Property Tax Rebate Act shall be liable to pay double the amount of the rebate, plus a fine of not more than \$100.00 for each offense. Any penalty shall be collected and enforced by summary proceedings pursuant to "The Penalty Enforcement Law" (N.J.S.A. 2A:58-1 et seq.). A tenant may bring action against a landlord in the municipal court of the municipality where the rental property is located.

For additional information, contact:

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